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Senator Gregg's Senate Floor Remarks on the Debt and Deficits
(unofficial transcript)
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At the end of the last fiscal year which just concluded at the end of September, we determined that we had a $1.4 trillion deficit. And it is projected that we will have, on average, $1 trillion deficits for the next ten years under President Obama's budget.

Yesterday we had a vote not to do cloture on a bill which the Administration supported which would have put another $300 billion on the federal debt to pay for what's known as the doctors' fix. The doctors' fix is something that should occur, and we have done it around here before -- in fact, we've done it every year for about eight years, and that is reimbursing doctors at a fair rate rather than having those rates cut -- but we've always paid for it.

But yesterday there was an attempt by the leadership on the other side of the aisle to pass a bill which would have not paid for the doctors' fix and which have put $300 billion of new debt on to our children's back so that every time somebody walked into a doctor's office and was reimbursed under Medicare, that bill, whether it was for a flu shot or whether it was for a serious disease issue, would have been taken and passed directly to our children rather than paid for today as it should have been. So it was a totally irresponsible act to try increase the debt by $300 billion in order to take care of the doctors' fix. But that was what was attempted.

Fortunately, that failed, at least as of yesterday it failed, and it was a bipartisan appreciation in the Senate. All the Republicans voted against doing that and 12 Democrats and one Independent voted against doing it. And that was good. That was a good sign to the American people that maybe we're finally taking the deficit and the debt seriously. And the reason I wanted to speak today on this is because we're getting some significant warning signs, some flashing yellow lights -- that are moving from yellow maybe to red -- from the world community that we better do something about our debt and deficit or the world community is going to react to it.

The Chinese, who are the primary foreign owners of our debt -- in other words, when we spend $1.4 trillion more than we have in a year like we did last year, or we spend a trillion dollars more than we have every year for the next ten years, as is being proposed by the President, we have to get that money from somewhere, we have to borrow it. Somebody has to be willing to lend us that money, that $1.4 trillion. Well, the countries which have that type of money and are willing to lend it to us are countries like China and Russia and Saudi Arabia. They have historically, at least over the last few years, been willing to buy our Treasuries, our notes to finance the government operation here in the United States.

Recently, the leadership of the Chinese government has said, “Whoa, we're getting a little concerned here. We're still going to buy American Treasuries, we're still going to help you finance your deficit but you've got to do something about this because we're concerned about the value of what we're buying. We're concerned that those IOUs that we're buying from you may not be worth what we're paying for them on face value if you continue to run your deficit that you have.” That was a fairly large warning sign from a country which obviously has not historically been close to us, but which is one of our largest trading partners and which is, whether we like it or not, buying up a lot of this debt when we run these massive deficits.

Another warning sign came at us when the dollar, which has historically been the reserve currency of the world -- in other words, countries hold dollars in order to maintain their own structure of reserves for their countries -- when the dollar started to be discussed as maybe not the best reserve currency. And there have been a number of rumors and some representations by some finance ministers around the world that people might not want to use the dollar any longer as their reserve currency. They might want to use some other currency, maybe the euro, or some basket of currencies, maybe the euro or the yen, or maybe just use commodities, or maybe use IMF drawing rights. A whole series of different ideas.

What does that reflect? That reflects that people aren't too confident in our future ability to maintain and defend the value of the dollar. And why aren't they confident about that? Well, they aren't confident about it because they're looking at the deficits we're running and they're looking at the debt that we're piling up and they're saying, “Hold it, how are you going to pay all that off? If you put $13, $14, $15, $16 trillion worth of debt on your nation, if you take your publicly-held debt from 40% of GDP up to 80% of GDP or more, how are you going to pay that off, United States?”

And it's a legitimate question. Because there are only a few ways you can reduce your debt burden, and one of them, unfortunately, is by using inflation. And that devalues the dollar and it devalues all that debt that people have bought. And that is why we're hearing more and more that people, first, are worried about using the dollar as their reserve currency because they don't want to see its value drop, and, secondly, they're worried about buying our debt. So we're getting some serious caution lights from the international community about the fact that we're running these massive deficits and this massive debt.

And just yesterday, I think one of the most serious caution lights came up, because there are groups in this world, small groups of people, Moody's and Standard & Poor’s, who basically look at the currencies and the debt of various nations -- and they do that also for companies -- and they rate the debt. And the rest of the world's financial activity looks at those ratings because they're considered to be of very high caliber and very high standards. And they allow people in other places to be able to assess the value of the debt that they might want to buy.

So if you want to buy debt from XYZ country, you look at Moody's or Standard's, who have taken a hard look at that country's debt -- they've evaluated it -- and they'll tell you whether it's rated AAA, AA, A. And that determines how much it's going to cost a country to lend to you; that will determine the amount of interest rate on that debt. Because if it's not AAA, which is the best rated debt, then people are going to be less likely to invest in it. Or if they do invest in it, they're going to want a higher return because there's going to be a bigger risk because they know that that debt might not be paid back, but if it is paid back, it might be paid back in devalued dollars or devalued currency of that country.

And so historically, American debt, the Treasury note, has been the gold standard for the world. In fact, it is technically the gold standard because most people use it as the reserve fund. And when the world went off gold as a standard, the dollar became basically the way that people maintained and conserved their assets. They would invest in Treasury notes and know that the Treasuries were always safe. It was always determined that Treasury notes were always safe because the United States was always going to pay back its debt.

And so the United States has always had an AAA rating and that is hugely important to us as a nation. It's hard to appreciate in the United States, just an ordinary American going to work every day and trying to make ends meet, that the triple-a rating of the United States is important to them but it is. It affects everything in this country that has to do with credit. If the United States were to lose its AAA rating, all credit would go up in cost and it would be much harder to buy anything because the interest rates would be higher. It would be harder to buy a car. It would be harder to send a child to college because interest rates would be high.

Everything is tied to the fact that Treasuries have AAA ratings, United States Treasuries. And it's always been presumed that we would. In the post-World War II period, it has always been presumed that the United States is the strongest economy in the world, the most vibrant economy in the world, would always have the gold standard for Treasuries and for the debt issues, it would always be a AAA-related event.

Well, as a result of our profligate nature as a country and as a Congress, as a result of having run up these massive deficits, we're getting a very large yellow flashing light from the rating agencies. And they're saying this. This was an October 22 news report from Reuters: "The United States, which posted a record deficit in the last fiscal year, may lose its AAA rating if it does not reduce the gap to manageable levels in the next three to four years." That's according to Moody's Investors Service. A quote from Moody's is as follows: "The AAA rating of the United States is not guaranteed," said Steven Hess, Moody's lead analyst for the United States in an interview with Reuters Television. "So if they don't get the deficit down in the next three to four years to a sustainable level, then the rating will be in jeopardy,'" he said.

Those are words that should make us pause here in the Congress because they're directed right at us. What the most sophisticated and important evaluator of America's deficit and debt situation is saying, the Moody's rating service, is that if we as a Congress do not do something within the next three four years to bring our debt under control and our deficits down, we may jeopardize the AAA rating of the United States. I can think of nothing that would be more irresponsible for our Congress to do to the American people than to jeopardize and put at risk the AAA rating of this country.

Second, while maybe only after disarming ourselves in the face of a potential terrorist threat of use of a weapon of mass destruction, I can think of nothing which would have a larger impact on our populous than for the Congress to put in place fiscal policies which would jeopardize our ability to sell bonds, American debt around the world at a reasonable price, and put at risk the status of the dollar as the reserve currency of the world and put at risk the AAA rating of our bonds. And yet that's exactly what we're doing.

You know, this gentleman, Mr. Hess, says we have to within the next three to four years put in place a manageable plan, a realistic plan that will address the deficit and debt of the United States. Are we doing that now? We're doing just the opposite. Just yesterday this Congress tried to pass $300 billion of new debt for ordinary expenses, for daily expenses of paying doctors. Today we were going to give an IOU to our children and grandchildren five, ten years from now. Total irresponsibility. Last week it was the White House suggesting we do the same thing for Social Security for $13 billion. A few months ago we did the same thing for Cash for Clunkers for $3 billion.

And now we have this health care bill coming at us which is going to increase the size of the government by $1 trillion to $2 trillion, which is represented that it's paid for, but that's only because they phase in the expenses four years after they phase in the income and, thus, they're able to match ten years of income against six years of expenses and so they claim it's paid for. When the bill is fully phased in, it's not going to be paid for. It's going to be a huge cost to the federal government and even if it were paid for, it would be spending massive resources that instead should be used for deficit reduction.

We cut Medicare by $400 billion. And it's going to raise fees by $500 billion. And instead of using those resources to reduce the debt, it's going to use them to create a brand-new major entitlement. Brand-new major entitlement at a time when we already have on our books entitlements that we already can't afford today. Medicare has a $38 trillion unfunded liability yet we're going to add a new major entitlement on top of Medicare and Medicaid. We're going to pay for part of it by paying for Medicare. Still instead of cutting Medicare, we should make Medicare solvent. So we're going to do a $1 trillion to $2 trillion increase in the size of government. I will absolutely guarantee you that will not be fully paid for and a large percentage of that will go to our debt.

So on top of having deficits already projected to be $1 trillion a year for the next 10 years, we're seeing a Congress, which is being incredibly spendthrift in its approach to all sorts of areas, $300 billion to pay the new doctors in debt. Who knows how much out of this health care bill. I'm willing to bet the family farm it will be well over $2 trillion in debt when it gets phased in. New programs in the area of Social Security, which is bankrupt, unpaid for, added to the debt. New programs for this favorite group, Cash for Clunkers or whatever the issue is for the day.

We're out of control on the spending side of the ledger. It's not a revenue issue. It's a spending issue. Spending has been about 20% of GDP but under the budget which we've been given, independent of the health care bill, under the budget that we were given, spending goes from 20% of GDP up to 23% of GDP when you throw in the health care bill you're heading toward 24%, 25% of GDP. If revenues maintain their historic levels and go back to the 19% of GDP, you still get a 6% to 7% gap because spending has gone up so much.

Now, I appreciate the fact that this Administration comes with the philosophy -- and they won the election -- that you create prosperity by growing the government. I mean, the President said that. People around him said that. Members on the other side of the aisle say it: “You create prosperity by growing the government.” But you don't create prosperity if you let government grow so fast that it can't be paid for. Government cannot be allowed to grow any faster than it can be paid for.

And, in my opinion, prosperity doesn't come from government to begin with. Prosperity comes from people who are entrepreneurs and willing to take on risks and create jobs. If you let government grow and allow it to grow faster than you can pay for it, you don't create prosperity, you create debt. And it is that debt, and people who are looking at debt giving massive caution lights and saying, “Slow down. Get your house in order.” The people who are buying our debt around the world are saying it. The people who use our dollars are saying it. And now Moody's, which is the arbiter of what the value of debt is and the likely repayment of it, is saying it in the starkest way. “The AAA rating of the United States is not guaranteed,” Steven Hess of Moody's said. “If they don't get the deficit down in the next three to four years to a sustainable level, then the rating will be in jeopardy.”

We need to heed those words. We need to get some discipline around here and we need to stop having proposals which dramatically increase the size of the government and continue to put us on a path where we pass debt on to our children which will cause them to have a much lower standard of living than we've had, which will cause them unable to send their kids to college and to buy their first home and afford that car because they'll simply be confronting a nation where the debt is absorbing so much of the productivity of the economy or where inflation has basically priced them out of the markets.

Madam President, I yield the floor.